

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00 LAB-04 SIL-01

SAM-01 OMB-01 DODE-00 PM-04 H-02 L-03 NSC-05 PA-01

PRS-01 SS-15 /081 W

----- 090608

O R 231725Z NOV 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 2397

INFO ALL EC CAPITALS 2763

USMISSION OECD PARIS

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E. O. 11652: N/A

TAGS: EEC, EFIN

SUBJECT: EC FINANCE COUNCIL, NOVEMBER 22, 1976: RESULTS

REFS: (A) EC BRUSSELS 11364; (B) EC BRUSSELS 10884; (C) EC
BRUSSELS 10774; (D) EC BRUSSELS 10993; (E) EC BRUSSELS
11269; (F) EC BRUSSELS A-336

1. SUMMARY: DURING THEIR NOVEMBER 22 COUNCIL MEETING, THE
EC FINANCE MINISTERS COVERED THE FOLLOWING AGENDA ITEMS: (1)
COMMUNITY ASSUMPTION OF THE UK LOAN TO ITALY; (2) ANNUAL
REPORT FROM THE COMMISSION ON THE EC'S ECONOMIC SITUATION;
(3) APPLICATION OF THE EUROPEAN UNIT OF ACCOUNT (EUA) TO THE
EC BUDGET; AND (4) THE COMMISSION'S 4TH MEDIUM-TERM ECONOMIC
PROGRAM. THE MINISTERS INFORMALLY DISCUSSED THE NORTH-SOUTH
DIALOGUE OVER LUNCH BUT REACHED NO CONCLUSIONS. HOWEVER,
AFTER THE COUNCIL SESSION, DUTCH FINANCE MINISTER DUISENBERG
AND BELGIAN FINANCE MINISTER DE CLERCQ BOTH EXPRESSED CONCERN
OVER THE PROSPECTS FOR SUCCESS OF THE DECEMBER 15 CIEC MINIS-
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TERIAL. END SUMMARY.

2. COMMUNITY LOAN TO ITALY. THE COUNCIL AUTHORIZED THE COMMISSION TO OPEN NEGOTIATIONS ON THE FINANCIAL MARKETS TO FLOAT A \$486 MILLION LOAN TO ITALY UNDER THE JOINT COMMUNITY BORROWING SCHEME, REPLACING THE UK LOAN WHICH COMES DUE DECEMBER 9 (REFTEL B). THE COUNCIL IS TO DECIDE UPON POLICY CONDITIONS ATTACHED TO THE LOAN AT ITS DECEMBER 20 MEETING, WHEN THE RESULTS OF THE COMMISSION'S NEGOTIATIONS AND OF THE IMF'S REVIEW OF THE ITALIAN ECONOMIC SITUATION SHOULD BE AVAILABLE. ACCORDING TO PERMDEL SOURCES, THE CONDITIONS OF THE EC LOAN WILL PARALLEL THOSE IMPOSED ON ANY FURTHER GOI BORROWING FROM THE IMF. PERMDEL AND COMMISSION SOURCES INDICATE THAT THE LOAN WILL INITIALLY BE A BANK CREDIT AT VARIABLE INTEREST RATES -- TO BE CONSOLIDATED LATER ON INTO A FIXED INTEREST SECURITY.

3. ANNUAL REPORT ON EC ECONOMIC SITUATION. THE COUNCIL ADOPTED PROVISIONALLY THE EC COMMISSION'S ANNUAL REPORT ON THE ECONOMIC SITUATION IN THE COMMUNITY AND ON ECONOMIC POLICY GUIDELINES FOR 1977 (REFTEL C). THEY REJECTED, HOWEVER, INCLUSIONS OF THE COMMISSION'S SPECIFIC QUANTITATIVE GUIDELINES FOR MONETARY GROWTH IN MEMBER STATES. THE COMMISSION VERY RELUCTANTLY GAVE UP THIS ATTEMPT AT A STEP TOWARDS HARMONIZATION OF MONETARY POLICY, EXTRACTING ONLY A GENERAL COMMITMENT THAT THE COUNCIL WOULD ALLOW PUBLICATION OF SPECIFIC TARGETS IN THE FUTURE. ACCORDING TO PERMDEL SOURCES, THE COUNCIL'S RELUCTANCE TO ACCEPT SUCH GUIDELINES STEMMED IN PART FROM UNCERTAINTY OVER THE POSSIBLE IMPACT OF OIL PRICE RISE; HOWEVER, IT IS CLEAR THAT MEMBER STATES HAVE A MORE FUNDAMENTAL RELUCTANCE TO HAVE FIRMLY FIXED MONETARY GROWTH TARGETS SET IN BRUSSELS. THE MEMBER STATES HAVE BEEN GIVEN UNTIL NOVEMBER 24 TO INSERT ANY DESIRED REVISIONS INTO THE REPORT, WHICH WILL THEN BE CONSIDERED ADOPTED IN FINAL.

4. APPLICATION OF THE EUA TO THE EC BUDGET. BECAUSE OF CONTINUED IRISH AND DANISH INSISTENCE UPON LINKING PROGRESS ON THE EUA TO DISCUSSIONS OF THE VALUE ADDED LIMITED OFFICIAL USE

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TAX AND OF MONETARY COMPENSATORY AMOUNTS (REFTELS D AND E), THE MINISTERS DEFERRED DISCUSSIONS OF THIS ISSUE ONCE AGAIN. A UK PERMDEL SOURCE HAS TOLD US THAT IT IS UNLIKELY THAT ANY ACTION ON THE EUA WILL BE POSSIBLE UNTIL AFTER THE BRITISH HAVE ASSUMED THE COUNCIL PRESIDENCY IN JANUARY.

5. FOURTH MEDIUM-TERM PROGRAM. CONTRARY TO THE REPORT

IN REFTTEL D, THE MINISTERS DID NOT GRANT FINAL APPROVAL NOVEMBER 8 TO THE COMMISSION'S DRAFT FOURTH MEDIUM-TERM ECONOMIC PROGRAM (SEE REFAIR F FOR FURTHER BACKGROUND.) THEIR DECISION AT THE NOVEMBER 8 MEETING WAS ONLY TO INDICATE "A FAVORABLE ORIENTATION" TO THE REPORT. FINAL DISCUSSION HAS BEEN POSTPONED UNTIL DECEMBER 20, PENDING SUBMISSION OF OPINIONS FROM THE EUROPEAN PARLIAMENT AND THE EC'S ECONOMIC AND SOCIAL COMMITTEE. THERE WAS, NEVERTHELESS, A CERTAIN AMOUNT OF DISCUSSION OF THE PROGRAM AT THIS COUNCIL SESSION. PERMDEL SOURCES INDICATE THAT MOST MEMBER STATES SAID THEY COULD ACCEPT THE PROGRAM IN GENERAL TERMS BUT THAT IT WOULD REQUIRE UPDATING. COREPER HAS BEEN ASKED TO MAKE THE NECESSARY CHANGES.

6. NORTH-SOUTH DIALOGUE. PERMDEL SOURCES TELL US THAT THE MINISTERS DISCUSSED THE NORTH-SOUTH DIALOGUE ONLY INFORMALLY AT LUNCH, REACHING NO SPECIFIC CONCLUSIONS. AT HIS POST-SESSION PRESS CONFERENCE, DUTCH FINANCE MINISTER DUISENBERG (THE COUNCIL PRESIDENT), EXPRESSED HOPE THAT THE DECEMBER 15 CIEC MINISTERIAL WOULD BE SUCCESSFUL BUT SAID THE UPCOMING CHANGE OF ADMINISTRATION IN WASHINGTON COULD MAKE THE US POSITION DIFFICULT. AT A SEPARATE BRIEFING, BELGIAN FINANCE MINISTER DE CLERCQ TOLD REPORTERS HE THOUGHT THE TIME WAS NOT RIPE FOR A MINISTERIAL.

7. EXCHANGE RATE. FRG FINANCE MINISTER APEL TOLD THE GERMAN PRESS THAT EXCHANGE RATE ARRANGEMENTS HAD NOT BEEN DISCUSSED AT THE MEETING. HE STRESSED, HOWEVER, THAT HAD ADJUSTMENTS NOT BEEN MADE EARLIER THIS MONTH, THE SNAKE PROBABLY WOULD NOT HAVE SURVIVED. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, ECONOMIC CONDITIONS, COMMITTEE MEETINGS, ECONOMIC PROGRAMS, LOANS, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU11481
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760436-0189
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761124/aaaaatrm.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 11364, 76 EC BRUSSELS 10884
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 27 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 APR 2004 by greeneet>; APPROVED <28 JUL 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC FINANCE COUNCIL, NOVEMBER 22, 1976: RESULTS
TAGS: EFIN, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006